

FORT DODGE COMMUNITY SCHOOL DISTRICT
FORT DODGE, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2004

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FORT DODGE COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2003 Election)		
Stuart Cochrane	President	2003
Jeri Green	Vice President	2004
Janice Merz	Board Member	2003
Clark Fletcher	Board Member	2003
Steve Schwendemann	Board Member	2004
Jerry Schnurr	Board Member	2005
Ernest Kersten	Board Member	2005
<u>Board of Education</u>		
(After September 2003 Election)		
Stuart Cochrane	President	2006
Jerry Schnurr	Vice President	2005
Jeri Green	Board Member	2004
Steve Schwendemann	Board Member	2004
Ernest Kersten	Board Member	2005
Janice Merz	Board Member	2006
Clark Fletcher	Board Member	2006
<u>School Officials</u>		
Dr. D. A. Haggard	Superintendent	2005
John W. Christensen, Jr.	District Secretary/Director of Financial Services	2004
Rick A. Engel	Attorney	Indefinite

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Fort Dodge Community School District:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Fort Dodge Community School District, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Fort Dodge Community School District as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated November 11, 2004 on our consideration of Fort Dodge Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 7 through 17 and 53 through 55 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Fort Dodge Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa
November 11, 2004

Fort Dodge Community School District

Management Discussion and Analysis

This section of the Fort Dodge Community School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2004. Since this is the second year in which all activities were required to be reported on a full accrual basis, a comprehensive comparison to the prior year has been made as is required to provide comparison of key current year data to prior year data. See table A-1 for comparison of the fiscal years. Please read this analysis in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

- The District's financial status continued to improve in fiscal year 2004. Total net assets increased more than 12.54 percent or \$1.512 million over the course of the year. The Governmental Activities net assets increased 13.0 percent, with the business type activities net assets decreasing 19.5 percent. Overall revenues were \$37.16 million, and expenses were \$35.47 million.
- During fiscal year 2004 the District completed a remodeling project at the Senior High School funded by the local option sales and services tax approved by the voters in 1999. The cost of the project for the 2003-2004 fiscal year totaled \$75,262. The district increased the cash balance in the Capital Projects Fund by \$523,717 for use for the 2004-2005 Senior Remodeling Project. The district also spent \$163,821 on other projects funded by the Physical Plant and Equipment and General Funds. In the 2004 fiscal year \$1,107,947 was transferred from the capital projects account to debt service to pay principal and interest on the sales tax revenue bonds.
- A decline in market interest rates resulted in the General Fund interest income dropping from \$45,874 in fiscal year 2003 to \$36,529 in fiscal year 2004. This is the second year of declining interest earnings in the General Fund.
- The General Fund ending fund balance increased from \$2.5 million in fiscal year 2003 to \$3.7 million in fiscal year 2004.
- The self-insured dental internal service fund incurred a net loss of \$22,546. The District had a balance \$55,460 at the end of the fiscal year which is almost four months' worth of reserves. The premium levels will need to be adjusted for future years to maintain the necessary reserves.
- The District Statement of Net Assets indicates an unrestricted net balance of \$715,861 at the end of the 2004 fiscal year, which is up from a net deficit of \$448,342 at the end of the 2003 fiscal year. The reason for the positive change was an increase in fund balances in both the general and non-major governmental funds because of expenditure reductions in both areas. (See exhibit E).
- The FDCSD certified enrollment count taken on September 20, 2003, was 4,169.9. This count represents a reduction of 45.9 students from the prior year. There has been a net loss of 259.9 students in the last five years.
- The Special Education Deficit Balance was reduced from \$476,488 in fiscal 2003 to \$252,659 in the fiscal 2004 year. The district was helped by the receipt of additional Federal Medicaid Funds that are allocated to special education.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts--management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district-wide financial statements* (Statement of Net Assets and Statement of Activities) that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the district-wide statements.
- The *governmental funds statements* tell how *basic* services like regular and special education were financed in the *short term* as well as what remains for future spending.
- *Proprietary funds* statements offer *short- and long-term* financial information about the activities the district operates *like businesses*, such as food services.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

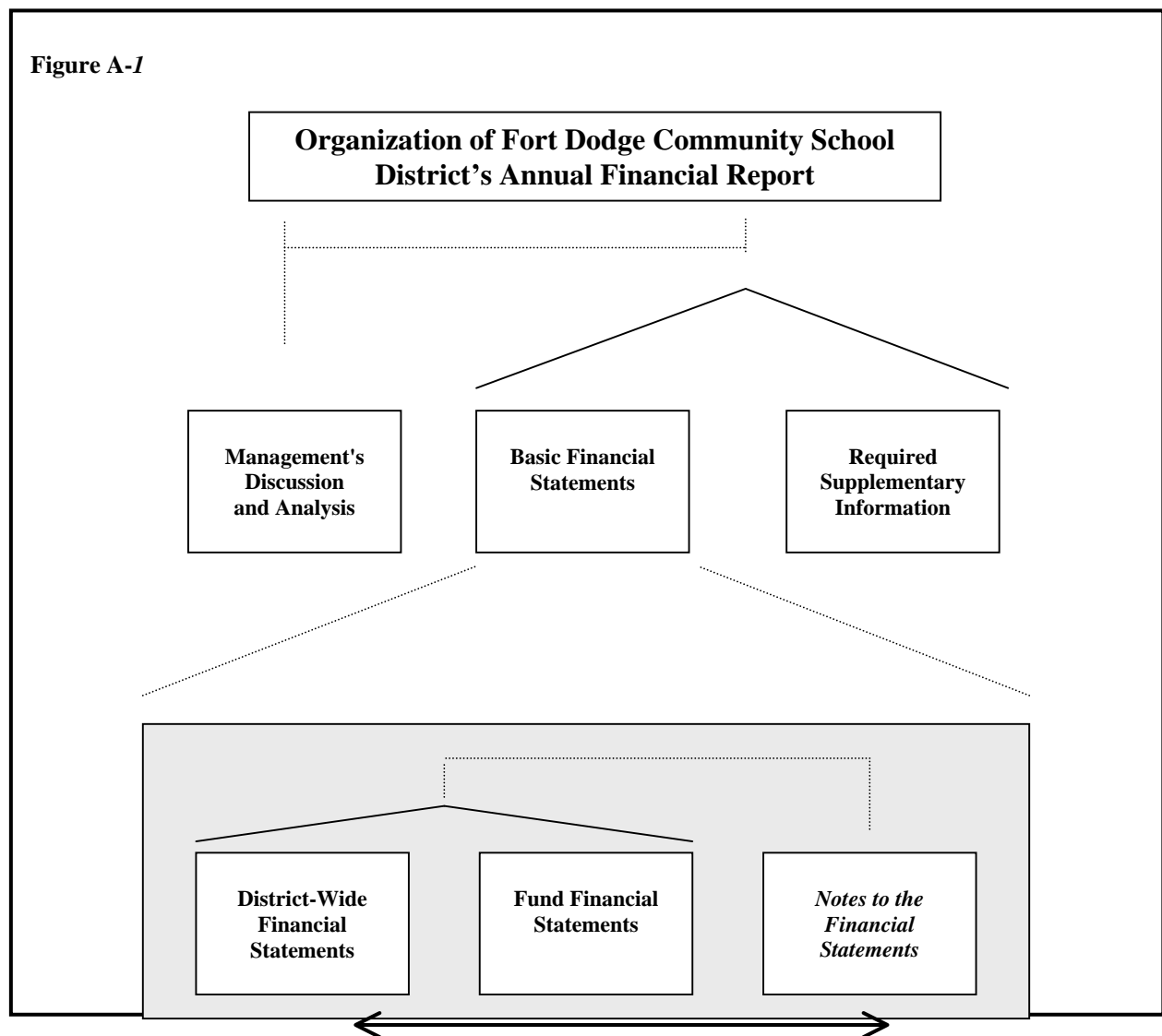


Figure A-2 below summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2
Major Features of District-Wide and Fund Financial Statements

	District-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district	The activities of the district that are not proprietary, such as special education and building maintenance	Activities the district operates similar to private businesses: school nutrition and the medical self insurance internal service fund included here	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	Statement of net assets	Balance sheet	Statement of net assets	Statement of fiduciary net assets
	Statement of activities	Statement of revenues, expenditures, and changes in fund balances	Statement of revenues, expenses, and changes in fund net assets Statement of cash flows	Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

District-wide Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes *all* of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's health or *position*.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the district-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities*—Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state aid finance most of these activities.
- *Business-type activities*—The District charges fees to help it cover the costs of certain services it provides. The District's food service program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants).

The District has three kinds of funds:

- *Governmental funds* - Most of the District's basic services are included in governmental funds, which generally focus on (1) *how cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information with the governmental funds statements that explain the relationship (or differences) between them.
- *Proprietary funds* - Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements. —The District's *enterprise fund*, school nutrition (one type of proprietary fund), is the same as its business-type activities, but provide more detail and additional information, such as cash flows. —*Internal service funds* (the other kind of proprietary fund) are used to report activities that provide supplies and services for the District's other programs and activities. The District currently has two internal service funds which handle the Flexible Spending Account and the Self Funded Dental Account.
- *Fiduciary funds* - The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Fund and Agency Funds. *Private-Purpose Trust Fund* – The District accounts for outside donations for scholarships for individual students in this fund. The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations. The required financial statements for fiduciary funds includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets. Table A-1 below provides a comparison of the District's net assets as of June 30.

Condensed Statement of Net Assets							
	Governmental Activities		Business-type Activities		Total School District		Percentage Change
	2003	2004	2003	2004	2003	2004	2003-04
Current and other assets	\$19,696,700	\$21,048,414	\$251,284	\$116,806	\$19,947,984	\$21,165,220	6.10%
Capital assets	\$16,294,075	\$15,789,697	\$97,815	\$101,121	\$16,391,890	\$15,890,818	-3.06%
Total Assets	\$35,990,775	\$36,838,111	\$349,099	\$217,927	\$36,339,874	\$37,056,038	1.97%
Long-term obligations	\$9,009,504	\$8,881,280	\$45,350	\$46,277	\$9,054,854	\$8,927,557	-1.41%
Other liabilities	\$15,091,119	\$14,519,230	\$126,793	\$29,196	\$15,217,912	\$14,548,426	-4.40%
Total liabilities	\$24,100,623	\$23,400,510	\$172,143	\$75,473	\$24,272,766	\$23,475,983	-3.28%
Net Assets							
Invested in capital assets, net of related debt	\$10,169,075	\$10,559,697	\$97,815	\$101,121	\$10,266,890	\$10,660,818	3.84%
Restricted	\$2,248,560	\$2,203,376	\$0	\$0	\$2,248,560	\$2,203,376	-2.01%
Unrestricted	(\$527,483)	\$674,528	\$79,141	\$41,333	(\$448,342)	\$715,861	259.67%
TOTAL NET ASSETS	\$11,890,152	\$13,437,601	\$176,956	\$142,454	\$12,067,108	\$13,580,055	12.54%

The District's combined net assets were larger on June 30, 2004, than they were the year before--increasing 12.54% to \$13.58 million (see Table A-1). Most of this improvement in the District's financial position came from its governmental activities, the net assets of which grew \$1.547 million to \$13.43 million. The net assets of the District's business-type activities decreased 19.5% to \$1.42 million.

The District's improved financial position is the product of many factors. The various sources of tax revenue, grants, and charges for services exceeded related expenditures. The one percent local option sales tax funding the Capital Projects Fund has been especially helpful to the district. The \$1.762 million sales tax revenue received is exclusively used for capital projects which get expensed as depreciation over many years on the Statement of Activities.

Cash and pooled investments total \$8.703 million or 23.5% of total assets up from 21.2% or 7.717 million from fiscal 2003. \$6.25 million of these cash balances are needed at June 30th to fund District operations in July, August, and the first half of September when there is very little state aid or property tax revenue. \$1.725 million of cash and investments are dedicated to future capital project investments. Infrastructure local option sales tax revenue and related long-term debt proceeds have exceeded construction costs so far. This cash will be used in renovation projects yet to be completed at the Senior High School. There will be additional funds to be used on other district projects after the High School renovations projects are completed, however, voter approval will be required for the expenditure of those funds.

U.S. Generally Accepted Accounting Principles (GAAP) requires that the property taxes certified in April (the lien date) for the upcoming fiscal year be accrued as a receivable and shown as unearned revenue liability. The future property tax receivable of \$10.958 million and the related deferred revenue liability on the Statement of Net Assets result from this requirement. Net property and equipment (capital assets) of \$15.9 million represents 42.9% of total assets for the 2004 fiscal year compared with \$16.3 and 45% of total assets for the 2003 fiscal year. Long-term obligations of \$8.9 million represent 30.8% of total liabilities for the 2004 fiscal year compared with \$9.1 million or 37% for the 2003 fiscal year. It is noteworthy that almost all of the District's net assets are either invested in capital assets or are restricted for capital asset projects.

Changes in Net Assets

Table A-2 recasts the Statement of Activities into a traditional revenue and expenses format. Unrestricted state aid accounts for 42.4% of total revenue and property tax accounts for 31.4% for the 2004 fiscal year compared with 42.7% and 32% respectively for the 2003 fiscal year. Specific categorical grants and contributions from state, federal, and private sources account for 13% of revenue for the 2004 fiscal year compared with 12% for the 2003 fiscal year. The local option sales tax dedicated to school infrastructure totals 4.9% for 2004 compared with 4% for the 2003 fiscal year. Charges for services, mainly tuition and student co-curricular activities, account for 7.2% for the 2004 fiscal year compared with 7% for the 2003 fiscal year. (See Figure A-3).

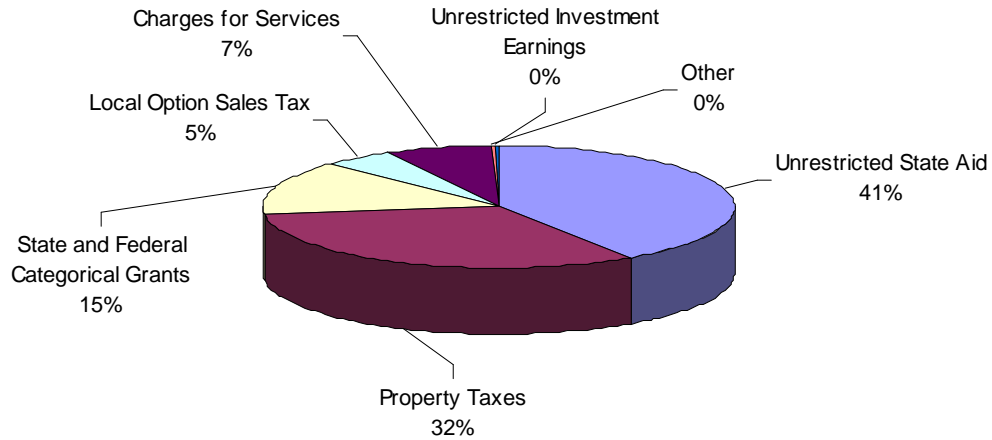
Of the District's expenses for 2004, 63% are predominately related to the instruction of students, compared with 64% for 2003. The support services, non-instructional programs, and unallocated depreciation categories account for 32% for 2004 compared with 37% of expenses for 2003. (See Figure A-4). These categories contain many line items directly supporting students and instruction, such as guidance, health, media, technology, improvement of instruction, and student transportation and food service program costs and depreciation expense not directly allocated to any functional area.

Operations and maintenance and building administration are also significant in the support services area. The State of Iowa by formula funds local school districts for the services of area education agencies and then pays these dollars directly to the agency.

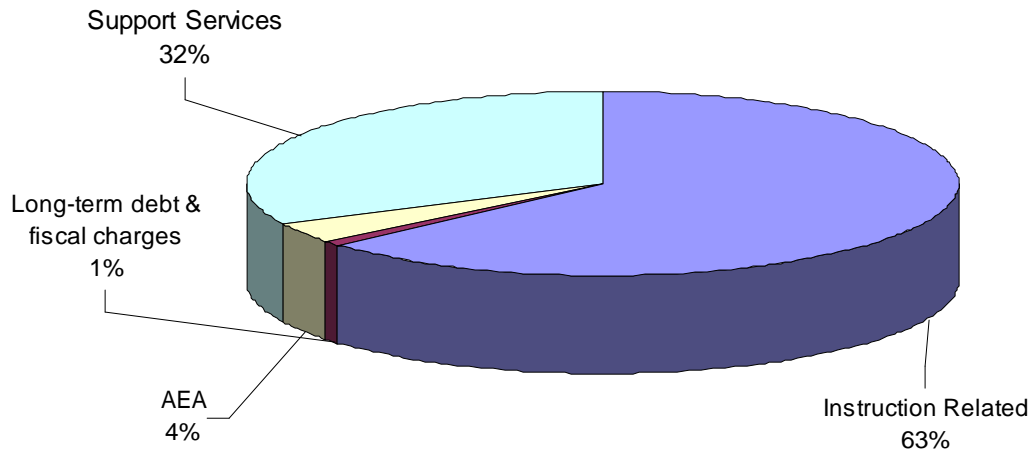
Table A-2 Changes in District's Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total % Change 2003- 04%
	2003	2004	2003	2004	2003	2004	
Revenues							
Program Revenues:							
Charges for services	1,781,574	1,883,946	839,518	790,395	\$2,621,092	\$2,674,341	2.03%
Operating Grants & Contributions	3,584,033	4,652,992	743,000	816,136	\$4,327,033	\$5,469,128	26.39%
Capital Grants & Contributions	0	0	0	0	\$0	\$0	0.00%
General Revenues:							
Property Taxes -General	11,268,046	11,144,519	0	0	\$11,268,046	\$11,144,519	-1.10%
Local Option Sales Tax	1,638,036	1,762,766	0	0	\$1,638,036	\$1,762,766	7.61%
Property Tax - Capital Outlay	800,817	809,712	0	0	\$800,817	\$809,712	1.11%
State formula aid	15,949,626	15,073,788	0	0	\$15,949,626	\$15,073,788	-5.49%
Unrestricted Investment Earnings	130,800	103,738	1,869	1,145	\$132,669	\$104,883	-20.94%
Other	615,724	121,940	0	0	\$615,724	\$121,940	-80.20%
Total Revenues	\$35,768,656	\$35,553,401	\$1,584,387	\$1,607,676	\$37,353,043	\$37,161,077	-0.51%
Expenses							
Instruction	22,769,727	22,458,653	0	0	\$22,769,727	\$22,458,653	-1.37%
Student Services	1,377,115	1,205,766	0	0	\$1,377,115	\$1,205,766	-12.44%
Instructional Staff Services	1,337,267	1,368,431	0	0	\$1,337,267	\$1,368,431	2.33%
Administrative & Business	2,478,235	2,492,631	0	0	\$2,478,235	\$2,492,631	0.58%
Maintenance & Operations	2,649,085	2,684,587	0	0	\$2,649,085	\$2,684,587	1.34%
Transportation	944,246	896,513	0	0	\$944,246	\$896,513	-5.06%
Central Support	278,443	246,589	0	0	\$278,443	\$246,589	-11.44%
Non-Instructional Programs	37,088	49,272	1,610,516	1,642,178	\$1,647,604	\$1,691,450	2.66%
Facilities Acquisition	0	268,811	0	0	\$0	\$268,811	100.00%
Long-term debt and fiscal charges	360,583	308,677	0	0	\$360,583	\$308,677	-14.40%
AEA Flowthrough	1,401,552	1,314,054	0	0	\$1,401,552	\$1,314,054	-6.24%
Depreciation (Unallocated)	529,899	536,673	0	0	\$529,899	\$536,673	1.28%
Total Expenses	\$34,163,240	\$33,830,657	\$1,610,516	\$1,642,178	\$35,773,756	\$35,472,835	-0.84%
Excess (deficiency) before special item	\$1,605,416	\$1,722,744	(\$26,129)	(\$34,502)	\$1,579,287	\$1,688,242	6.90%
Special item description	\$0	(\$175,295)	\$0	\$0	\$0	(\$175,295)	100.00%
Increase (decrease) in net assets	\$1,605,416	\$1,547,449	(\$26,129)	(\$34,502)	\$1,579,287	\$1,512,947	-4.20%

**Figure A-3
Source of District Revenue for Fiscal
Year 2004**



**Figure A-4
District's Expenses for Fiscal Year
2004**



Governmental Activities

Revenues for governmental activities were \$35.5 million while expenses amounted to \$33.8 million for 2004 compared with 35.7 million and 34.1 million for 2003; the District did a good job trimming expenses to match available revenues. The local option sales tax revenue of \$1.76 million contributed to the increase in net assets of the governmental activities before the special item reduction. (See Table A-2). Most of the expenditures related to sales tax were capital assets and not expensed on the Statement of Activities except through current year depreciation expense.

Table A-3 presents the cost of seven major District activities: instruction, pupil and instructional services, administration and business, maintenance and operations, transportation, long-term debt and fiscal charges, and other. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions.

Table A - 3 Total & Net Cost of District's Governmental Activities

	Total Cost of Services		Percentage Change 2003-04%	Net Cost of Services		Percentage Change 2003-04%
	2003	2004		2003	2004	
Instruction	22,769,727	22,458,653	-1.37%	18,884,556	17,516,707	-7.24%
Pupil & Instructional Services	2,714,382	2,574,197	-5.16%	2,680,423	2,420,028	-9.71%
Administrative & Business	2,478,235	2,492,631	0.58%	2,478,235	2,492,631	0.58%
Maintenance & Operations	2,649,085	2,684,587	1.34%	2,618,436	2,657,248	1.48%
Transportation	944,246	896,513	-5.06%	944,246	830,800	-12.01%
L-T Debt & Fiscal Charges	360,583	308,677	-14.40%	360,583	308,677	-14.40%
Other	2,246,982	2,415,399	7.50%	831,154	1,067,628	28.45%
TOTAL	\$34,163,240	\$33,830,657	-0.97%	\$28,797,633	\$27,293,719	-5.22%

- The cost of all governmental activities this year was \$33.8 million.
- Some of the cost (\$1.9 million) was financed by users of the District's programs.
- The federal and state governments and private contributors subsidized certain programs with grants and contributions of \$4.7 million.
- Most of the District's costs (\$27.3 million), however, were financed by District taxpayers and the taxpayers of our state.
- The net cost portion of governmental activities was financed with \$11.95 million in property taxes, \$15.1 million in unrestricted state aid, \$1.76 million in local option sales taxes, and \$.225 million in interest income and miscellaneous.

Business - Type Activities

Revenues of the District's business-type activities (school food and nutrition services) were comprised of charges for the daily lunch and breakfasts, and federal and state reimbursements.

- Business-type activity expenses exceeded revenues for the second year in a row. During the 2004 fiscal year the amount was \$34,502 compared to \$26,129 for the 2003 fiscal year
- Lunch prices were raised 10 cents and milk prices 5 cents at the beginning of the school year.
- Salaries and benefits costs increased 7.9% from \$689,446 to \$ 744,023 with the bulk of the increase coming in benefits; however, the purchased services cost decreased 7.8% from \$150,516 to \$138,764 and the supplies cost decreased 1.5% from \$756,781 to \$745,750. The reductions in the supplies and purchased services were not enough to offset the increase in salaries and benefits.

Financial Analysis of the District's Funds

The financial performance of the District as a whole is reflected in its governmental funds as well. (Refer to the Governmental Funds Balance Sheet and Statement of Revenue, Expenditures.) As the District completed the year, its governmental funds reported combined fund balances of \$6.496 million, 42.8 percent higher than the prior year's ending fund balance of \$4.549 million.

Most of the District's governmental funds had more revenues and other financing sources than expenditures in 2004, thereby contributing to the increase in total fund balance. The debt service used a part of the fund balance to make payments to the sinking fund for bond payments. This was by design in order to reduce the balance in the fund required by the paying agent. Prior to this the district was required to maintain a balance of two months payments; after the change, it was only required to maintain one additional month of payments.

The business-type activity fund (School Nutrition) deteriorated further in 2004 with a net loss of \$34,502, coupled with the previous year's loss of \$26,129. The early release days at the high school reduced the meal count by approximately 500 meals per day, along with the associated reimbursements that would accompany them. The ala carte sales were reduced similarly. The staff was contracted for the entire day, which added additional costs.

Budgetary Highlights

- The District continues to budget on a cash basis.
- The District levied \$1,100,135 for cash reserve in the 2004 fiscal year, down from \$1,401,083 in the 2003 fiscal year--this is a reduction of 21.5%. The cash reserve amount will vary based on the District's needs, especially depending on the special education deficit, the amount requested from the School Budget Review Committee for asbestos projects, and the District's requirements for sufficient cash balances for cash flow needs.
- Budgeted expenditures include both unspent spending authority from the prior year and general fund revenues.

In May, the District formally amended its budget in a board action to bring it into compliance with state government regulations; however, it did not amend the non-instructional area of the budget and it overspent the certified budget in the non-instructional expenditures which for the most part is the Nutrition Fund. This will be watched carefully in the future.

- The District's budget versus actual results was within acceptable management planning parameters. Overall, the final variance for the expenditures was a positive \$1,396,156.

See the Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances-Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Fund in the Required Supplementary Information section.

Capital Asset and Debt Administration

Capital Assets

By the end of 2004, the District had invested \$15.9 million (net accumulated depreciation of 14.2 million dollars) in a broad range of capital assets including school buildings, athletic facilities, maintenance and administrative buildings, computer and audiovisual equipment, maintenance equipment, school buses, library holding, and textbooks. This amount represents a net 3% decrease from last year. (More detailed information about capital assets can be found in Note 5 to the financial statements). Total depreciation expense for the year was \$1.182 million.

During the 2004 fiscal year the District continued with renovations at the Senior High School Building, which cost \$75,262 and are funded with sales tax revenue bonds made possible by the passage of the one-half cent Local Option Sales and Services Tax in March of 1999 by the voters of the District. The District also spent \$106,193 from the General Fund for asbestos work at the Senior High School during the 2004 fiscal year.

The District's five older elementary school buildings currently average fifty-five years of age. New school construction needs will need to be examined in the future.

Table A-4
Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total School District		Total Percentage Change
	2003	2004	2003	2004	2003	2004	2003-04
Land	495,361	483,811	0	0	495,361	483,811	-2.33%
Buildings	13,582,580	13,133,784	0	0	13,582,580	13,133,784	-3.30%
Improvements other than buildings	50,100	229,202	0	0	50,100	229,202	357.49%
Equipment & Furniture	2,166,034	1,942,900	97,815	101,121	2,263,849	2,044,021	-9.71%
TOTAL	\$16,294,075	\$15,789,697	\$97,815	\$101,121	\$16,391,890	\$15,890,818	-3.06%

Long – Term Debt

At year-end the District had \$8.927 million in general obligation bonds and other long-term obligations outstanding—a decrease of 1.5 percent from last year as shown in Table A-5. (More detailed information about the District’s long-term liabilities is presented in Note 6 to the financial statements.)

Table A -5
District's Outstanding Long-Term Obligations

	Governmental Activities		Total Percentage Change
	2003	2004	2003-04
School Infrastructure Bonds*	6,125,000	5,230,000	-14.61%
Other Liabilities	2,929,854	3,697,557	26.20%
TOTAL	\$9,054,854	\$8,927,557	-1.41%

* Financed with sales taxes

- The District retired \$.895 million of its general obligation bonds in 2004.
- There are no current plans to issue additional debt in 2005.

Bond Ratings

The District does not have a General Obligation Bond Rating from Moody’s for fiscal year 2003 because the District does not have any general obligation bonds outstanding. The outstanding bonds are Sales Tax Revenue Bonds. If the District were to issue general obligation bonds, it would at that time go for a Moody’s rating. The city of Fort Dodge, Iowa, has an A-1 rating; the District’s financial advisor indicates that with the District's financial condition, it would probably have an A-2 Bond rating.

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of eight existing circumstances that could significantly affect its financial health in the future:

- Even though the District is the twenty-second largest in the state in terms of students, it has one of the lowest ratios of taxable property value per student. This tends to raise property tax levies per thousand dollars of valuation to the higher end. Local property tax sensitivity has developed. In order to develop an effective education budget, the District needs to rely partially on the property tax levy.
- The average age of the District's five older elementary schools is 55 years. In order to deliver a modern education program using new technology, and in order to control maintenance and safety costs, new elementary schools need to be built. In 1999 the citizens of the District voted for a 10-year local option sales tax for school infrastructure. That program or another school infrastructure funding mechanism needs to continue past 2009.
- The District's primary source of revenue is the State of Iowa's school aid formula. Because of the national and state recession, the allowable growth in aid to schools was only 2% for fiscal year 2004. Costs of providing a quality education program are rising faster than 2%. Teacher settlements alone over the past several years are in the 4% range. Future allowable growth increases need to be higher.
- More than 81 percent of the general fund budget is salaries and benefits. Iowa law requires that unsettled salary negotiations for teachers go to mandatory arbitration. Invariably, arbitrated settlements are higher than current levels of allowable growth in funding. Education budgets are then squeezed. A solution needs to be found.
- One of the key elements of the Iowa State school aid formula is certified enrollment. The last five years enrollment has decreased 5.9%. When enrollment drops it means less state aid. Stability or even increases in enrollment are critical to maintaining a solid financial picture.
- In 2001 two important legislative acts were passed into law which affects public school education. The federal government passed "*No Child Left Behind*" and Iowa passed the "*Student Achievement and Teacher Quality Act*." The District is currently working through the various requirements of these laws. While the intent of this legislation is sound, additional costs and unfunded mandates may develop.
- Health Insurance cost increases were up over 21 percent from the 2002-2003 fiscal year to the 2003-2004 fiscal year, and because of the aging population of the employees and their usage of the benefit, it bears watching for the ensuing years. This is an area that could cause the District major financial concerns.
- The District's special education deficit balance decreased 47 percent from the 2002-2003 fiscal year to the 2003-2004 fiscal year. Although the District can levy additional property tax dollars in the ensuing year, it does affect the overall cost of education.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact John W. Christensen, Jr., Board Secretary/Director of Financial Services, Fort Dodge Community School District, Arey Education Center, 104 South 17th Street, Fort Dodge, Iowa, 50501, Phone number: 515-574-5644, Fax number: 515-574-5322, or jachristensen@fort-dodge.k12.ia.us for e-mail.

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Basic Financial Statements

FORT DODGE COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2004

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 8,643,915	\$ 59,777	\$ 8,703,692
Receivables:			
Property tax:			
Current year	203,498	-	203,498
Succeeding year	10,958,000	-	10,958,000
Accounts	161,258	40,353	201,611
Due from other governments	1,036,743	-	1,036,743
Pledges receivable	45,000	-	45,000
Inventories	-	16,676	16,676
Capital assets, net of accumulated depreciation (note 5)	15,789,697	101,121	15,890,818
Total assets	36,838,111	217,927	37,056,038
Liabilities			
Accounts payable	715,614	29,196	744,810
Salaries and benefits payable	2,665,261	-	2,665,261
Due to other governments	29,609	-	29,609
Incurred but not reported claims	27,333	-	27,333
Accrued interest payable	22,951	-	22,951
Deferred revenue:			
Succeeding year property tax	10,958,000	-	10,958,000
Other	100,462	-	100,462
Long-term liabilities (note 6):			
Portion due within one year:			
Early retirement	347,176	-	347,176
Bonds payable	945,000	-	945,000
Compensated absences	391,743	9,960	401,703
Portion due after one year:			
Early retirement	584,513	-	584,513
Bonds payable	4,285,000	-	4,285,000
Compensated absences	2,327,848	36,317	2,364,165
Total liabilities	23,400,510	75,473	23,475,983

FORT DODGE COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2004

	Governmental Activities	Business-type Activities	Total
Net Assets			
Invested in capital assets, net of related debt	\$ 10,559,697	\$ 101,121	\$ 10,660,818
Restricted for:			
Physical plant and equipment levy	78,327	-	78,327
Other special revenue purposes	123,316	-	123,316
Debt service	77,500	-	77,500
Capital outlay	1,924,233	-	1,924,233
Unrestricted	674,528	41,333	715,861
Total net assets	\$ 13,437,601	\$ 142,454	\$ 13,580,055

See notes to financial statements.

FORT DODGE COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2004

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants, Contributions and Restricted Interest
Governmental Activities:			
Instruction:			
Regular instruction	\$ 13,479,020	\$ 929,225	\$ 1,079,684
Special instruction	7,056,549	-	1,847,766
Other instruction	1,923,084	927,382	157,889
	<u>22,458,653</u>	<u>1,856,607</u>	<u>3,085,339</u>
Support services:			
Student services	1,205,766	-	139,205
Instructional staff services	1,368,431	-	14,964
Administration services	2,492,631	-	-
Operation and maintenance of plant services	2,684,587	27,339	-
Transportation services	896,513	-	65,713
Central support services	246,589	-	-
	<u>8,894,517</u>	<u>27,339</u>	<u>219,882</u>
Non-instructional programs	<u>49,272</u>	<u>-</u>	<u>33,717</u>
Other expenditures:			
Facilities acquisition	268,811	-	-
Long-term debt interest and fiscal charges	308,677	-	-
AEA flowthrough	1,314,054	-	1,314,054
Depreciation (unallocated) *	536,673	-	-
	<u>2,428,215</u>	<u>-</u>	<u>1,314,054</u>
Total governmental activities	33,830,657	1,883,946	4,652,992
Business-Type Activities:			
Non-instructional programs:			
Food service operations	<u>1,642,178</u>	<u>790,395</u>	<u>816,136</u>
Total	\$ 35,472,835	\$ 2,674,341	\$ 5,469,128

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (11,470,111)	\$ -	\$ (11,470,111)
(5,208,783)	-	(5,208,783)
(837,813)	-	(837,813)
<u>(17,516,707)</u>	<u>-</u>	<u>(17,516,707)</u>
(1,066,561)	-	(1,066,561)
(1,353,467)	-	(1,353,467)
(2,492,631)	-	(2,492,631)
(2,657,248)	-	(2,657,248)
(830,800)	-	(830,800)
(246,589)	-	(246,589)
<u>(8,647,296)</u>	<u>-</u>	<u>(8,647,296)</u>
<u>(15,555)</u>	<u>-</u>	<u>(15,555)</u>
(268,811)	-	(268,811)
(308,677)	-	(308,677)
-	-	-
<u>(536,673)</u>	<u>-</u>	<u>(536,673)</u>
<u>(1,114,161)</u>	<u>-</u>	<u>(1,114,161)</u>
(27,293,719)	-	(27,293,719)
-	(35,647)	(35,647)
<u>(27,293,719)</u>	<u>(35,647)</u>	<u>(27,329,366)</u>

FORT DODGE COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2004

Functions/Programs

General Revenues:

Property tax levied for:

General purposes

Capital outlay

Local option sales and services tax

Unrestricted state grants

Unrestricted investment earnings

Other

Total general revenues

Change in nets assets before special item

Special item:

Loss on disposal of building

Change in net assets

Net assets beginning of year

Net assets end of year

* = This amount excludes the depreciation that is included
in the direct expense of the various programs.

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ 11,144,519	\$ -	\$ 11,144,519
809,712	-	809,712
1,762,766	-	1,762,766
15,073,788	-	15,073,788
103,738	1,145	104,883
121,940	-	121,940
29,016,463	1,145	29,017,608
1,722,744	(34,502)	1,688,242
(175,295)	-	(175,295)
1,547,449	(34,502)	1,512,947
11,890,152	176,956	12,067,108
<u>\$ 13,437,601</u>	<u>\$ 142,454</u>	<u>\$ 13,580,055</u>

FORT DODGE COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2004

	General	Nonmajor Governmental Funds	Total Governmental Funds
	<u>General</u>	<u>Funds</u>	<u>Funds</u>
Assets			
Cash and pooled investments	\$ 5,841,909	\$ 2,697,303	\$ 8,539,212
Receivables:			
Property tax:			
Current year	177,974	25,524	203,498
Succeeding year	9,632,000	1,326,000	10,958,000
Interfund receivable (note 3)	45,000	-	45,000
Accounts	155,216	6,042	161,258
Due from other governments	786,862	249,881	1,036,743
Pledges receivable	-	45,000	45,000
	<u> </u>	<u> </u>	<u> </u>
Total assets	\$ <u>16,638,961</u>	\$ <u>4,349,750</u>	\$ <u>20,988,711</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 572,224	\$ 121,320	\$ 693,544
Salaries and benefits payable	2,658,992	6,269	2,665,261
Due to other governments	29,609	-	29,609
Interfund payable	-	45,000	45,000
Deferred revenue:			
Succeeding year property tax	9,632,000	1,326,000	10,958,000
Other	55,462	45,000	100,462
Total liabilities	<u>12,948,287</u>	<u>1,543,589</u>	<u>14,491,876</u>
Fund balance:			
Reserved for:			
Debt service	-	100,451	100,451
Unreserved:			
Reported in nonmajor Special			
Revenue Funds	-	781,477	781,477
Undesignated	3,690,674	1,924,233	5,614,907
Total fund balances	<u>3,690,674</u>	<u>2,806,161</u>	<u>6,496,835</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	\$ <u>16,638,961</u>	\$ <u>4,349,750</u>	\$ <u>20,988,711</u>

See notes to financial statements.

FORT DODGE COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 June 30, 2004

Total fund balances of governmental funds	\$ 6,496,835
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	15,789,697
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(22,951)
Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	(8,881,280)
The Internal Service Funds assets and liabilities are directly related to the Governmental Funds due to the types of services provided. The Internal Service Fund balances are therefore included in the District-wide statement of net assets.	<u>55,300</u>
Net assets of governmental activities	<u><u>\$ 13,437,601</u></u>
See notes to financial statements.	

FORT DODGE COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2004

	General	Nonmajor Governmental Funds	Total
Revenues:			
Local sources:			
Local tax	\$ 10,430,391	\$ 3,244,029	\$ 13,674,420
Tuition	807,623	-	807,623
Other	318,476	980,108	1,298,584
State sources	17,630,909	5,459	17,636,368
Federal sources	2,132,989	-	2,132,989
Total revenues	31,320,388	4,229,596	35,549,984
Expenditures:			
Current:			
Instruction:			
Regular instruction	12,680,264	276,077	12,956,341
Special instruction	6,792,894	-	6,792,894
Other instruction	1,103,490	819,594	1,923,084
	20,576,648	1,095,671	21,672,319
Support services:			
Student services	1,205,766	-	1,205,766
Instructional staff services	1,336,949	31,482	1,368,431
Administration services	2,312,757	83,217	2,395,974
Operation and maintenance of plant services	2,429,563	231,269	2,660,832
Transportation services	688,507	97,317	785,824
Central and other support services	225,601	20,988	246,589
	8,199,143	464,273	8,663,416
Non-instructional programs	49,272	-	49,272
Other expenditures:			
Facilities acquisition	-	699,535	699,535
Long term debt:			
Principal	-	895,000	895,000
Interest and fiscal charges	-	312,962	312,962
AEA flowthrough	1,314,054	-	1,314,054
	1,314,054	1,907,497	3,221,551
Total expenditures	30,139,117	3,467,441	33,606,558
Excess of revenues over expenditures	1,181,271	762,155	1,943,426

FORT DODGE COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2004

	General	Nonmajor Governmental Funds	Total
Other financing sources (uses):			
Sale of equipment	\$ 3,415	\$ -	\$ 3,415
Sale of real property	-	2	2
Interfund transfers in	-	1,107,947	1,107,947
Interfund transfers out	-	(1,107,947)	(1,107,947)
Total other financing sources (uses)	<u>3,415</u>	<u>2</u>	<u>3,417</u>
Net change in fund balances	1,184,686	762,157	1,946,843
Fund balances beginning of year	<u>2,505,988</u>	<u>2,044,004</u>	<u>4,549,992</u>
Fund balances end of year	<u>\$ 3,690,674</u>	<u>\$ 2,806,161</u>	<u>\$ 6,496,835</u>

See notes to financial statements.

FORT DODGE COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2004

Net change in fund balances - total governmental funds \$ 1,946,843

Amounts reported for governmental activities in the statement of activities
are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the statement of net assets and are allocated over their estimated useful lives as depreciation expense in the statement of activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 840,080	
Depreciation expense	<u>(1,169,163)</u>	(329,083)

Proceeds from sales of real property are recorded in governmental funds as other financing sources. However, the disposal of real property is reflected as a gain or loss in governmental activities under special items in the statement of activities. (175,295)

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets. 895,000

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 4,285

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (766,776)

The decrease in the Internal Service Fund balance reflects an undercharge to governmental activities for the services provided. Expenses in the statement of activities are adjusted to reflect this undercharge. (27,525)

Change in net assets of governmental activities \$ 1,547,449

See notes to financial statements.

FORT DODGE COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 June 30, 2004

	Nonmajor Enterprise Fund	Internal Service Funds
	<u>Fund</u>	<u>Funds</u>
Assets		
Cash and cash equivalents	\$ 59,777	\$ 104,703
Accounts receivable	40,353	-
Inventories	16,676	-
Capital assets, net of accumulated depreciation	<u>101,121</u>	<u>-</u>
Total assets	<u>217,927</u>	<u>104,703</u>
Liabilities		
Accounts payable	29,196	22,070
Incurred but not reported claims	-	27,333
Long-term liabilities:		
Portion due within one year:		
Compensated absences	9,960	-
Portion due after one year		
Compensated absences	<u>36,317</u>	<u>-</u>
Total liabilities	<u>75,473</u>	<u>49,403</u>
Net Assets		
Invested in capital assets, net of related debt	101,121	-
Unrestricted	<u>41,333</u>	<u>55,300</u>
Total net assets	<u>\$ 142,454</u>	<u>\$ 55,300</u>

See notes to financial statements.

FORT DODGE COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 PROPRIETARY FUNDS
 Year Ended June 30, 2004

	Nonmajor Enterprise Fund	Internal Service Funds
	<u> </u>	<u> </u>
Operating revenues:		
Local sources:		
Charges for services	\$ 790,395	\$ 219,117
	<u> </u>	<u> </u>
Operating expenses:		
Non-instructional programs:		
Food service operations:		
Salaries	509,361	-
Benefits	234,662	-
Purchased services	138,764	-
Supplies	745,750	-
Depreciation	13,599	-
Other	42	-
	<u>1,642,178</u>	<u> </u>
Internal service operations:		
Purchased services	-	247,527
	<u>1,642,178</u>	<u>247,527</u>
Operating loss	<u>(851,783)</u>	<u>(28,410)</u>
Non-operating revenues:		
Interest on investments	1,145	885
State sources	19,402	-
Federal sources	796,734	-
Total non-operating revenues	<u>817,281</u>	<u>885</u>
Change in net assets	(34,502)	(27,525)
Net assets beginning of year	<u>176,956</u>	<u>82,825</u>
Net assets end of year	<u>\$ 142,454</u>	<u>\$ 55,300</u>

See notes to financial statements.

FORT DODGE COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2004

	Nonmajor Enterprise Fund	Internal Service Funds
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 706,450	\$ -
Cash received from miscellaneous operating activities	172,087	219,117
Cash payments to employees for services	(744,023)	-
Cash payments to suppliers for goods or services	<u>(886,990)</u>	<u>(243,502)</u>
Net cash used in operating activities	<u>(752,476)</u>	<u>(24,385)</u>
Cash flows from non-capital financing activities:		
State grants received	19,402	-
Federal grants received	<u>791,728</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>811,130</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	<u>(16,905)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>1,145</u>	<u>885</u>
Net increase (decrease) in cash and cash equivalents	42,894	(23,500)
Cash and cash equivalents beginning of year	<u>16,883</u>	<u>128,203</u>
Cash and cash equivalents end of year	<u>\$ 59,777</u>	<u>\$ 104,703</u>

FORT DODGE COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2004

	Nonmajor Enterprise Fund	Internal Service Funds
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (851,783)	\$ (28,410)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	13,599	-
Commodities used	76,225	-
Decrease in accounts receivable	88,142	-
Decrease in inventories	18,011	-
Increase (decrease) in accounts payable	(97,597)	5,673
Increase in compensated absences payable	927	-
(Decrease) in incurred but not reported claims	-	(1,648)
Net cash used in operating activities	\$ <u>(752,476)</u>	\$ <u>(24,385)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2004, the District received \$76,225 of federal commodities.

See notes to financial statements.

FORT DODGE COMMUNITY SCHOOL DISTRICT

COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS

June 30, 2004

	Self-funded Dental Plan	Flex Benefit Plan	Total (Memorandum Only)
Assets			
Cash and pooled investments	\$ 101,234	\$ 3,469	\$ 104,703
Liabilities			
Accounts payable	18,441	3,629	22,070
Health claims incurred but not reported	27,333	-	27,333
Total liabilities	45,774	3,629	49,403
Net Assets			
Unrestricted	\$ 55,460	\$ (160)	\$ 55,300

See accompanying independent auditor's report.

FORT DODGE COMMUNITY SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
INTERNAL SERVICE FUNDS
Year ended June 30, 2004

	Self-funded Dental Plan	Flex Benefit Plan	Total (Memorandum Only)
Operating revenues:			
Local sources:			
Insurance contributions	\$ 181,120	\$ -	\$ 181,120
Flex contributions	-	37,997	37,997
Total operating revenues	<u>181,120</u>	<u>37,997</u>	<u>219,117</u>
Operating expenses:			
Non-instructional programs:			
Premiums/administration	204,551	-	204,551
Flex benefits	-	42,976	42,976
Total operating expenses	<u>204,551</u>	<u>42,976</u>	<u>247,527</u>
Operating loss	<u>(23,431)</u>	<u>(4,979)</u>	<u>(28,410)</u>
Non-operating revenues:			
Interest	<u>885</u>	<u>-</u>	<u>885</u>
Changes in net assets	(22,546)	(4,979)	(27,525)
Net assets beginning of year	<u>78,006</u>	<u>4,819</u>	<u>82,825</u>
Net assets end of year	<u>\$ 55,460</u>	<u>\$ (160)</u>	<u>\$ 55,300</u>

See accompanying independent auditor's report.

FORT DODGE COMMUNITY SCHOOL DISTRICT

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
Year ended June 30, 2004

	Self-funded Dental Plan	Flex Benefit Plan	Total (Memorandum Only)
Cash flows from operating activities:			
Cash received from contributions	\$ 181,120	\$ -	\$ 181,120
Cash received from miscellaneous operating activities	-	37,997	37,997
Cash payments for premiums	(182,718)	-	(182,718)
Cash payments for services	(21,129)	(39,655)	(60,784)
Net cash used in operating activities	<u>(22,727)</u>	<u>(1,658)</u>	<u>(24,385)</u>
Cash flows from investing activities:			
Interest on investments	<u>885</u>	-	<u>885</u>
Net decrease in cash and cash equivalents	(21,842)	(1,658)	(23,500)
Cash and cash equivalents beginning of year	<u>123,076</u>	<u>5,127</u>	<u>128,203</u>
Cash and cash equivalents end of year	<u>\$ 101,234</u>	<u>\$ 3,469</u>	<u>\$ 104,703</u>
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (23,431)	\$ (4,979)	\$ (28,410)
Adjustments to reconcile operating loss to net cash used in operating activities			
Increase in accounts payable	2,352	3,321	5,673
Increase in health claims incurred but not reported	<u>(1,648)</u>	<u>-</u>	<u>(1,648)</u>
Net cash used in operating activities	<u>\$ (22,727)</u>	<u>\$ (1,658)</u>	<u>\$ (24,385)</u>

See accompanying independent auditor's report.

FORT DODGE COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

June 30, 2004

	Private Purpose Trust
	<u>Scholarship</u>
Assets:	
Cash and pooled investments	\$ <u>320,817</u>
Liabilities:	
None	<u>-</u>
Net assets:	
Reserved for scholarships	\$ <u><u>320,817</u></u>

See notes to financial statements.

FORT DODGE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
Year Ended June 30, 2004

	<u>Private Purpose Trust</u>	<u>Scholarship</u>
Additions:		
Local sources:		
Gifts and contributions	\$ 10,126	
Interest	<u>9,060</u>	
Total additions	<u>19,186</u>	
Deductions:		
Support services:		
Scholarships awarded		<u>32,040</u>
Change in net assets	(12,854)	
Net assets beginning of year		<u>333,671</u>
Net assets end of year	\$ <u>320,817</u>	
See notes to financial statements.		

FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies

Fort Dodge Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Fort Dodge, Iowa, and the predominate agricultural territory in Webster County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Fort Dodge Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. Fort Dodge Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Webster County Assessor's Conference Board.

The District also approves the appointment of a voting majority of the Fort Dodge Community School District Foundation Board, which is considered a related organization.

B. Basis of Presentation

District-wide Financial Statements – The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The statement of net assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the main operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The District's proprietary funds include the Enterprise, School Nutrition Fund, which is used to account for the food service operations of the District; the Internal Service, Self-funded Dental Plan, which is used to account for the District's self-funded dental insurance plan; and the Internal Service, Flex Plan, which is used to account for the District's employee flexible benefits plan.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements with restrictions of income earned to be used to benefit individuals through scholarship awards.

FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

All proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the statement of net assets and the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget to the County Auditor by April 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2003.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital Assets – Capital assets, which include property, furniture, and equipment are reported in the applicable governmental or business-type activities columns in the District-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,000
Buildings	25,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund Equipment	500
Other furniture and equipment	1,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable – Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied, pledged receivables that will not be received until future years, and unspent federal grant proceeds.

FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and severance benefits payable to employees. Accumulated sick leave varies between 105 and 120 days, depending on the employee's service group. A liability is recorded when incurred in the District-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities – In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Fund Balances – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Invested in capital assets, net of related debt – In the District-wide statement of net assets, the net asset balance invested in capital assets, net of related debt is equal to the capital assets balances, including restricted capital assets, less accumulated depreciation and the outstanding balances of any bonds, notes, or other debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets – In the District-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements in the non-instructional programs functional area exceeded the amount budgeted.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 2. Cash and Pooled Investments (continued)

The District had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$100,451 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The District also had investments in MBIA guaranteed investment contracts for U. S. government securities. Governmental Accounting Standards Board Statement No. 3 requires investments to be categorized to give an indication of the level of risk assumed by the District at year end. The District's investment in the Iowa Schools Joint Investment Trust is not subject to risk categorization. The District's investments in government securities are category one which means that the investments are insured or registered or the securities are held by the district or its agent in the District's name.

The District's investments in U. S. government securities at June 30, 2004 are as follows:

<u>Type</u>	<u>Fair Value</u>
U.S. Government Securities	\$ <u>850,000</u>

Note 3. Interfund Receivables/Payables

At June 30, 2004, the District had one loan outstanding between the General Fund and the Special Revenue, Physical Plant and Equipment Levy Fund. This loan is shown as an interfund receivable and payable as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special Revenue, Physical Plant and Equipment Levy	\$ <u>45,000</u>

Note 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ <u>1,107,947</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2004 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 495,361	\$ -	\$ 11,550	\$ 483,811
Capital assets being depreciated:				
Buildings	22,820,660	239,083	506,209	22,553,534
Improvements other than buildings	59,138	191,641	-	250,779
Furniture and equipment	6,449,942	409,356	201,084	6,658,214
Total capital assets being depreciated	<u>29,329,740</u>	<u>840,080</u>	<u>707,293</u>	<u>29,462,527</u>
Less accumulated depreciation for:				
Buildings	9,238,080	524,134	342,464	9,419,750
Improvements other than buildings	9,038	12,539	-	21,577
Furniture and equipment	4,283,908	632,490	201,084	4,715,314
Total accumulated depreciation	<u>13,531,026</u>	<u>1,169,163</u>	<u>543,548</u>	<u>14,156,641</u>
Total capital assets being depreciated, net	<u>15,798,714</u>	<u>(329,083)</u>	<u>163,745</u>	<u>15,305,886</u>
Governmental activities capital assets, net	<u>\$ 16,294,075</u>	<u>\$ (329,083)</u>	<u>\$ 175,295</u>	<u>\$ 15,789,697</u>

FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 5. Capital Assets (continued)

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 172,974	\$ 16,905	\$ 1,493	\$ 188,386
Less accumulated depreciation	<u>75,159</u>	<u>13,599</u>	<u>1,493</u>	<u>87,265</u>
Business-type activities capital assets, net	<u>\$ 97,815</u>	<u>\$ 3,306</u>	<u>\$ -</u>	<u>\$ 101,121</u>

Depreciation expense was charged by the District to the following functions:

Governmental activities:

 Instruction:

 Regular

\$ 285,077

 Special

149,462

 Support services:

 Administration

52,718

 Operation and maintenance of plant services

34,544

 Transportation

110,689

632,490

Unallocated depreciation

536,673

Total governmental activities depreciation expense

\$ 1,169,163

Business-type activities:

 Food service operations

\$ 13,599

FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 6. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2004 is as follows:

	Early Retirement	School Infrastructure Sales and Services Tax Revenue Bonds	Compensated Absences	Total
Balance beginning of year	\$ 327,535	\$ 6,125,000	\$ 2,602,319	\$ 9,054,854
Additions	726,850	-	319,387	1,046,237
Reductions	122,696	895,000	155,838	1,173,534
Balance end of year	<u>\$ 931,689</u>	<u>\$ 5,230,000</u>	<u>\$ 2,765,868</u>	<u>\$ 8,927,557</u>
Due within one year	<u>\$ 347,176</u>	<u>\$ 945,000</u>	<u>\$ 401,703</u>	<u>\$ 1,693,879</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed ten years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for the year ended June 30, 2004, consists of two options. The employee may choose a monetary incentive ranging from \$3,292 to \$15,000, depending on the employee group involved, which will be paid either in one lump sum, in three annual installments, or on any schedule deemed reasonable by the District. Instead of the monetary incentive, the employee may choose continuation of single group health insurance at the rate of the last year of employment for sixty months or until the employee reaches age 65, which ever comes first. The current cost of this insurance to the District for the year ended June 30, 2004, is \$458 per month for teachers and \$443 per month for all other employees. Early retirement benefits paid during the year ended June 30, 2004, totaled \$194,342. Early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 6. Long-Term Liabilities (continued)

Bonds Payable

Details of the District's June 30, 2004 school infrastructure sales and services tax bonded indebtedness are as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2005	5.10 - 5.15 %	\$ 945,000	\$ 262,620	\$ 1,207,620
2006	5.15 - 5.20	990,000	212,495	1,202,495
2007	5.20 - 5.25	1,045,000	160,488	1,205,488
2008	5.25 - 5.30	1,095,000	105,097	1,200,097
2009	5.30 - 5.35	1,155,000	46,403	1,201,403
Total		<u>\$ 5,230,000</u>	<u>\$ 787,103</u>	<u>\$ 6,017,103</u>

The District retired \$895,000 of bonds during the year ended June 30, 2004.

Note 7. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$1,120,655, \$1,153,387, and \$1,169,264 respectively, equal to the required contributions for each year.

Note 8. Risk Management

Fort Dodge Community School District is a member in the Iowa School Employees Benefits Association, an Iowa Code Chapter 28E organization. The Iowa School Employees Benefits Association (ISEBA) is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. ISEBA was formed July 1999 for the purpose of managing and funding employee benefits. ISEBA provides coverage and protection in the following categories: medical, vision and prescription drugs.

Each member's contributions to ISEBA fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, ISEBA's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital.

FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 8. Risk Management (continued)

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2004 were \$4,196,737.

Payments from participating members are the sole source for paying claims and establishing reserves for the ISEBA self-funded programs. Stop loss insurance is purchased by ISEBA to protect against large claims but the potential exists for claims to exceed premium payments made by members into the program. In the event that claims exceed premiums and reserves, an assessment may be necessary to pay claims and replenish reserves in the program.

The District does not report a liability for losses in excess of stop loss insurance unless it is deemed probable that such losses have occurred and the amount of such a loss can be reasonably estimated. Accordingly, at June 30, 2004, no liability has been recorded in the District's financial statements. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance company coverage.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior written notice may withdraw. ISEBA will pay claims incurred before the termination date.

Fort Dodge Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Self-Funded Dental Insurance Plan

The District began a self-funded insurance plan during the year ended June 30, 2000. The plan is funded by contributions from the District and is administered through a service agreement with Delta Dental Plan of Iowa. The agreement is not subject to automatic renewal provisions. The District assumes liability for claims up to the individual stop loss limitation of 125 percent of projected claims paid, determined by multiplying the number of enrolled participants as of month end by the applicable monthly aggregate attachment point (\$12.00 for single plans and \$43.00 for family plans).

Monthly payments of service fees and plan contributions to the Fort Dodge Community School District Employee Group Dental Plan are recorded as expenditures from the General and School Nutrition funds. Under the administrative services agreement, weekly payments of service fees and claims processed are paid to Delta Dental Plan of Iowa from the Fort Dodge Community School District Employee Group Dental Plan Fund as an Internal Service Fund. The District's contributions to the fund for the year ended June 30, 2004 was \$181,120.

The Internal Service Fund, Self-Funded Dental Plan Fund reserve was \$55,460 at June 30, 2004. The incurred but not reported claims liability of \$27,333 reported in the plan at June 30, 2004 represents incurred but not yet reported losses for the current year, and is based on GASB Statement Numbers 10 and 17, which require that a liability for claims be reported.

FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 8. Risk Management (continued)

The change in the incurred but not reported and unpaid claims liability for the year ended June 30, 2004 is as follows:

Balance beginning of year	\$ 28,981
Incurred claims and claim adjustments	181,070
Payment of claims	<u>(182,718)</u>
Balance end of year	<u>\$ 27,333</u>

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$1,314,054 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Construction and Other Commitments

During the year ended June 30, 2004, the District entered into various contracts totaling \$1,017,960 for various projects. In addition, the District had carryover construction commitments totaling \$197,841, including change orders. At June 30, 2004 \$197,841 of the contracts were completed and paid. The remaining amounts of the contracts will be paid as work on the projects progresses.

Note 11. Contingent Liability

The District has ongoing lawsuits involving a worker's compensation claim and an incident involving an injury at a District activity. The District's insurance carrier is affording coverage for these claims.

Required Supplementary Information

FORT DODGE COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances –
Budget and Actual (Cash Basis) – All Governmental Funds
and Proprietary Fund
Required Supplementary Information
Year Ended June 30, 2004

	Governmental Funds - Actual	Proprietary Fund - Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
RECEIPTS:						
Local sources	\$ 15,859,584	\$ 879,682	\$ 16,739,266	\$ 16,276,943	\$ 16,276,943	\$ 462,323
Intermediate sources	-	-	-	5,000	5,000	(5,000)
State sources	17,605,197	19,402	17,624,599	18,143,733	18,143,733	(519,134)
Federal sources	1,769,123	867,953	2,637,076	1,854,844	1,854,844	782,232
Total receipts	35,233,904	1,767,037	37,000,941	36,280,520	36,280,520	720,421
DISBURSEMENTS:						
Instruction	22,141,997	-	22,141,997	21,557,030	22,282,030	140,033
Support services	8,770,287	-	8,770,287	9,101,632	9,676,632	906,345
Non-instructional programs	52,982	1,724,143	1,777,125	1,704,844	1,704,844	(72,281)
Other expenditures	3,305,042	-	3,305,042	2,617,101	3,727,101	422,059
Total disbursements	34,270,308	1,724,143	35,994,451	34,980,607	37,390,607	1,396,156
Excess (deficiency) of receipts over (under) disbursements	963,596	42,894	1,006,490	1,299,913	(1,110,087)	2,116,577
Other financing sources, net	3,603	-	3,603	1,262	1,262	2,341
Excess (deficiency) of receipts and other financing sources over (under) disbursements	967,199	42,894	1,010,093	1,301,175	(1,108,825)	2,118,918
Balance beginning of year	7,572,013	16,883	7,588,896	8,435,424	8,435,424	(846,528)
Balance end of year	\$ 8,539,212	\$ 59,777	\$ 8,598,989	\$ 9,736,599	\$ 7,326,599	\$ 1,272,390

See accompanying independent auditor's report.

FORT DODGE COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule – Budget to GAAP Reconciliation Required Supplementary Information Year Ended June 30, 2004

Governmental Funds			
	Cash	Accrual	Modified
	Basis	Adjust- ments	Accrual Basis
Revenues	\$ 35,233,904	\$ 316,080	\$ 35,549,984
Expenditures	34,270,308	(663,750)	33,606,558
Net	963,596	979,830	1,943,426
Other financing sources (uses)	3,603	(186)	3,417
Beginning fund balances	7,572,013	(3,022,021)	4,549,992
Ending fund balances	<u>\$ 8,539,212</u>	<u>\$ (2,042,377)</u>	<u>\$ 6,496,835</u>
Proprietary Fund			
	Enterprise		
	Cash	Accrual	Accrual
	Basis	Adjust- ments	Basis
Revenues	\$ 1,767,037	\$ (159,361)	\$ 1,607,676
Expenses	1,724,143	(81,965)	1,642,178
Net	42,894	(77,396)	(34,502)
Beginning net assets	16,883	160,073	176,956
Ending net assets	<u>\$ 59,777</u>	<u>\$ 82,677</u>	<u>\$ 142,454</u>

See accompanying independent auditor's report.

FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2004

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted disbursements by \$2,410,000.

During the year ended June 30, 2004, disbursements in the non-instructional programs functional area exceeded the amount budgeted.

Other Supplementary Information

FORT DODGE COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2004

	Special Revenue			
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service
Assets				
Cash and pooled investments	\$ 574,592	\$ 143,602	\$ 152,796	\$ 100,451
Receivables:				
Property tax:				
Current year	11,511	-	14,013	-
Succeeding year	611,000	-	715,000	-
Accounts	-	6,042	-	-
Due from other governments	-	-	-	-
Pledges receivable	-	-	45,000	-
Total assets	<u>\$ 1,197,103</u>	<u>\$ 149,644</u>	<u>\$ 926,809</u>	<u>\$ 100,451</u>
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ -	\$ 26,328	\$ 43,482	\$ -
Salaries and benefits payable	6,269	-	-	-
Interfund payable	-	-	45,000	-
Deferred revenue:				
Succeeding year property tax	611,000	-	715,000	-
Other	-	-	45,000	-
Total liabilities	<u>617,269</u>	<u>26,328</u>	<u>848,482</u>	<u>-</u>
Fund equity:				
Fund balances:				
Reserved for:				
Debt service	-	-	-	100,451
Unreserved:				
Undesignated	579,834	123,316	78,327	-
Total fund equity	<u>579,834</u>	<u>123,316</u>	<u>78,327</u>	<u>100,451</u>
Total liabilities and fund equity	<u>\$ 1,197,103</u>	<u>\$ 149,644</u>	<u>\$ 926,809</u>	<u>\$ 100,451</u>

See accompanying independent auditor's report.

<u>Capital Projects</u>	<u>Total</u>
\$ 1,725,862	\$ 2,697,303
-	25,524
-	1,326,000
-	6,042
249,881	249,881
-	45,000
<u>\$ 1,975,743</u>	<u>\$ 4,349,750</u>

\$ 51,510	\$ 121,320
-	6,269
-	45,000
-	1,326,000
-	45,000
<u>51,510</u>	<u>1,543,589</u>

-	100,451
<u>1,924,233</u>	<u>2,705,710</u>
<u>1,924,233</u>	<u>2,806,161</u>
<u>\$ 1,975,743</u>	<u>\$ 4,349,750</u>

FORT DODGE COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2004

	Special Revenue			
	Management	Student	Physical	Debt
	Levy	Activity	Plant and	Service
			Equipment	
			Levy	
Revenues:				
Local sources:				
Local tax	\$ 674,609	\$ -	\$ 806,654	\$ -
Other	5,144	873,711	40,020	-
State sources	2,401	-	3,058	-
Total revenues	682,154	873,711	849,732	-
Expenditures:				
Current:				
Instruction:				
Regular instruction	176,042	-	100,035	-
Other instruction	-	819,594	-	-
Support services:				
Instructional staff services	31,482	-	-	-
Administration services	81,717	-	-	-
Operation and maintenance of				
plant services	93,942	-	137,327	-
Transportation services	86,561	-	10,756	-
Central and other support services	20,988	-	-	-
Other expenditures:				
Facilities acquisition	-	-	529,306	-
Long term debt:				
Principal	-	-	-	895,000
Interest and fiscal charges	-	-	-	312,962
Total expenditures	490,732	819,594	777,424	1,207,962
Excess (deficiency) of revenues over				
(under) expenditures	191,422	54,117	72,308	(1,207,962)
Other financing sources (uses)				
Sale of real property	-	-	2	-
Interfund transfers in	-	-	-	1,107,947
Interfund transfers out	-	-	-	-
Total other financing sources (uses)	-	-	2	1,107,947

	Capital Projects	Total
\$	1,762,766	\$ 3,244,029
	61,233	980,108
	-	5,459
	<u>1,823,999</u>	<u>4,229,596</u>
	-	276,077
	-	819,594
	-	31,482
	1,500	83,217
	-	231,269
	-	97,317
	-	20,988
	170,229	699,535
	-	895,000
	-	312,962
	<u>171,729</u>	<u>3,467,441</u>
	1,652,270	762,155
	-	2
	-	1,107,947
	<u>(1,107,947)</u>	<u>(1,107,947)</u>
	<u>(1,107,947)</u>	<u>2</u>

FORT DODGE COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2004

	Special Revenue			
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service
Excess (deficiency) of revenues over (under) expenditures and other financing uses	\$ 191,422	\$ 54,117	\$ 72,310	\$ (100,015)
Fund balances beginning of year	388,412	69,199	6,017	200,466
Fund balances end of year	<u>\$ 579,834</u>	<u>\$ 123,316</u>	<u>\$ 78,327</u>	<u>\$ 100,451</u>

See accompanying independent auditor's report.

<u>Capital Projects</u>	<u>Total</u>
\$ 544,323	\$ 762,157
<u>1,379,910</u>	<u>2,044,004</u>
\$ <u><u>1,924,233</u></u>	\$ <u><u>2,806,161</u></u>

FORT DODGE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2004

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
High School:				
Council	\$ 2,047	\$ 1,639	\$ 2,018	\$ 1,668
Activity Club	63,557	87,038	966	149,629
Video Club	3,942	75	33	3,984
Radio Club	863	-	1,050	(187)
Birdseye Book Club	6,992	1,185	-	8,177
Professional Book Club	(50)	-	-	(50)
Professional Development	2,744	-	-	2,744
Magazines	2,792	-	-	2,792
Porter Fund	839	4,202	7,348	(2,307)
Student Flowers	73	1,252	1,388	(63)
District-wide Start School	-	5,093	-	5,093
Community Holiday Party	2	-	-	2
Speak Camp	1,308	790	1,121	977
Bus Garage Pop Money	2,838	1,587	2,225	2,200
Activity Class of 1973 Scholarship	-	519	-	519
Drama Club	3,785	1,575	866	4,494
Debate Club	(9,746)	3,921	6,650	(12,475)
Speech Club	(6,086)	4,105	3,486	(5,467)
Vocal Music	4,073	2,134	798	5,409
Band Club	1,383	10,353	10,426	1,310
Coed Cross Country	-	3,219	5,309	(2,090)
HS Boys Basketball	-	6,067	5,702	365
HS Football	-	28,863	13,184	15,679
HS Boys Soccer	(1,680)	1,401	4,535	(4,814)
HS Boys Baseball	(1,378)	3,544	10,599	(8,433)
HS Boys Track	(113)	3,363	9,523	(6,273)
HS Boys Tennis	(254)	1,749	2,884	(1,389)
HS Boys Golf	-	958	2,376	(1,418)
HS Boys Swimming	-	4,374	5,187	(813)
HS Wrestling	-	10,494	9,216	1,278
HS Girls Basketball	-	6,122	6,935	(813)
HS Volleyball	-	5,076	7,112	(2,036)
HS Girls Soccer	-	154	3,717	(3,563)
HS Girls Softball	(879)	1,881	9,097	(8,095)
HS Girls Track	(429)	5,050	7,660	(3,039)
HS Girls Tennis	(1,597)	400	2,727	(3,924)
HS Girls Golf	(734)	1,129	3,221	(2,826)
HS Girls Swimming	-	2,510	2,882	(372)
HS Activity	(209,447)	433	152	(209,166)
Cap and Gown	(2,514)	5,140	4,316	(1,690)

FORT DODGE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2004

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
High School (continued):				
Concessions	\$ 39	\$ 50	\$ -	\$ 89
Wrestling	1,016	12,274	12,004	1,286
PEP Bus	(5)	-	-	(5)
Key Club	310	-	-	310
Girls Swim Fundraiser	-	858	48	810
Girls Track Fundraiser	-	50	-	50
Student PCCL	59,356	54,084	64,750	48,690
Senior Dinner Dance	1,299	2,252	3,464	87
Centel Pay Phone	3,399	4,945	6,155	2,189
Musical Club	3,962	10,556	10,329	4,189
VICA	1,191	1,431	2,028	594
French Club	3,819	1,594	2,669	2,744
Spanish Club	8,213	1,546	3,781	5,978
German Club	2,898	37,007	38,410	1,495
FS Club	1,261	2,448	2,060	1,649
Cheerleaders	3,784	28,382	34,277	(2,111)
Student Senate	3,872	9,017	10,173	2,716
Yearbook	(1,183)	36,893	39,705	(3,995)
Newspaper	515	6,050	5,450	1,115
SADD	143	-	-	143
Fishing Club	44	-	-	44
Klass Club	14	-	-	14
Huseman All State	5,812	3,500	143	9,169
Advanced Placement	2,394	2,719	1,538	3,575
FCY PCCL	10,845	5,415	7,108	9,152
DECA	1,373	4,509	4,436	1,446
National Honor Society	(2,618)	6,563	1,749	2,196
Activity Tickets	-	50	-	50
Class of 2002	223	-	-	223
Class of 2003	223	-	-	223
Class of 2004	183	-	-	183
Class of 2005	223	-	-	223
Junior Citizen	78	359	255	182
Orchestra Club	1,592	-	-	1,592
Booster Club	(26)	-	-	(26)
CIML Art Festival	699	-	806	(107)
Sports Season Pass	(127)	7,158	(200)	7,231
Tournaments	4,545	92,192	85,036	11,701
Football Fundraisers	1,912	22,410	22,905	1,417

FORT DODGE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2004

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
High School (continued):				
Girls Basketball Fundraisers	\$ 8,740	\$ 8,447	\$ 8,281	\$ 8,906
Boys Basketball Fundraisers	2,986	12,226	14,364	848
Orchestra Trip	18	169	-	187
Jamar Funds	711	700	700	711
Baseball Fundraisers	(1,417)	18,597	15,171	2,009
Volleyball Fundraisers	390	1,481	936	935
Driver Education Club	(23)	58,741	58,718	-
IMC Coper	289	140	-	429
Start School	(40)	-	-	(40)
Multi-Cultural Club	9	-	-	9
Science Club Fundraisers	1,260	-	-	1,260
Softball Fundraisers	605	7,520	8,574	(449)
Dodger Senate	8,596	-	43	8,553
Dodger Communication Committee	250	-	-	250
Drill Team	292	319	242	369
Science Club	(21)	-	-	(21)
Weight Room	27	-	-	27
English Club Donut Account	158	-	-	158
Math Prize	6,016	1,049	3,397	3,668
Art Club	245	36	-	281
Scoreboard Advertising	-	3,990	1,778	2,212
Boys Swim Fundraiser	-	849	761	88
Girls Soccer Fundraiser	-	875	-	875
Boys Soccer Fundraiser	-	-	183	(183)
Phillips Middle School:				
Vocal Music	2,344	25,937	16,774	11,507
Instrumental	2,559	8,036	8,301	2,294
Boys Basketball	-	(4,067)	5,180	(9,247)
Football Fundraiser	-	709	4,308	(3,599)
Boys Track	(330)	1,141	1,186	(375)
Boys Wrestling	-	1,399	3,071	(1,672)
Girls Basketball	-	(6,101)	3,613	(9,714)
Girls Volleyball	-	(308)	1,580	(1,888)
Girls Track	-	(126)	1,792	(1,918)
PCCL	(3,773)	4,947	4,349	(3,175)
Activities	(12,287)	(3,576)	-	(15,863)
Yearbook	4,740	9,030	11,630	2,140
7th Red	(22)	988	598	368
7th White	678	(678)	-	-

FORT DODGE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2004

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Phillips Middle School (continued):				
7th Blue	\$ 297	\$ 1,235	\$ 160	\$ 1,372
8th Red	2,223	5,493	8,060	(344)
8th White	2,492	(747)	1,745	-
8th Blue	2,616	11,624	12,310	1,930
Magazine Fundraisers	(3,486)	2,018	-	(1,468)
Start School	2,093	-	-	2,093
Cross Country	-	(516)	105	(621)
Allsport Machine	3,847	6,244	5,630	4,461
Juice Machine	1,792	2,000	3,841	(49)
Student Planner	(1,524)	5,361	2,453	1,384
Wrestling Fundraiser	23	-	-	23
Participation Fees	-	365	396	(31)
Softball	-	431	227	204
Fair Oakes Middle School:				
Vocal Music	1,846	12,953	11,265	3,534
Activities	(3,397)	-	-	(3,397)
PCCL	1,323	1,210	1,453	1,080
Yearbook	7,228	3,695	5,877	5,046
6th Red	287	6,762	7,150	(101)
6th Blue	324	-	-	324
6th Gold	2,105	3,458	2,812	2,751
5th Red	1,465	8,983	7,800	2,648
5th Blue	851	4,101	4,305	647
5th Gold	666	6,225	6,141	750
Juice Machine	2,487	7,075	6,096	3,466
Pencil Sales	916	289	356	849
Start School	(80)	-	-	(80)
Mile of Pennies	35	-	-	35
Student Planner	766	7,173	-	7,939
Elementary Schools:				
Butler PCCL	806	2,220	2,000	1,026
Butler Activity	-	10,122	2,883	7,239
Cooper PCCL	2,139	2,368	1,724	2,783
Cooper Activities	11,925	10,014	12,324	9,615
Cooper Library Club	92	132	-	224
Duncombe PCCL	51	1,090	1,013	128
Duncombe Reading Supplement	1,548	228	1,496	280
Feelhaver PCCL	858	1,339	1,226	971
Feelhaver Activities	5,232	8,705	8,644	5,293
Hillcrest PCCL	563	1,753	1,572	744

FORT DODGE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2004

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Elementary Schools (continued):				
Hillcrest Activities	\$ 4,580	\$ 4,554	\$ 3,870	\$ 5,264
Riverside PCCL	1,172	1,873	1,792	1,253
Riverside School Council	-	3,500	-	3,500
Riverside Activities	2,054	3,668	688	5,034
Alternative PCCL	4,440	2,536	2,862	4,114
Other PCCL	(30)	-	-	(30)
Other Activities	(35)	-	-	(35)
Total	\$ 69,199	\$ 873,711	\$ 819,594	\$ 123,316

See accompanying independent auditor's report.

FORT DODGE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST FOUR YEARS

	Modified Accrual Basis Years Ended June 30,			
	2004	2003	2002	2001
Revenues:				
Local sources:				
Local tax	\$ 13,674,420	\$ 13,706,899	\$ 12,378,385	\$ 11,986,216
Tuition	807,623	796,272	626,864	588,780
Other	1,298,584	1,298,152	1,377,940	1,818,219
Intermediate sources	-	2,732	64,671	142,963
State sources	17,636,368	18,447,589	17,623,626	18,429,528
Federal sources	2,132,989	1,509,534	1,388,583	2,179,050
Total revenues	<u>\$ 35,549,984</u>	<u>\$ 35,761,178</u>	<u>\$ 33,460,069</u>	<u>\$ 35,144,756</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 12,956,341	\$ 13,456,577	\$ 13,622,668	\$ 13,979,731
Special instruction	6,792,894	6,892,050	6,652,332	5,466,692
Other instruction	1,923,084	2,013,006	2,093,847	2,048,987
Support services:				
Student services	1,205,766	1,377,115	1,150,313	1,205,469
Instructional staff services	1,368,431	1,337,267	1,359,852	1,482,325
Administration services	2,395,974	2,423,483	2,511,897	2,344,303
Operation and maintenance of plant services	2,660,832	2,637,642	2,469,832	3,327,314
Transportation services	785,824	992,980	981,170	973,984
Central and other support services	246,589	279,943	-	-
Non-instructional programs	49,272	37,088	73,435	64,605
Other expenditures:				
Facilities acquisition	699,535	1,438,681	4,663,133	4,651,987
Long-term debt:				
Principal	895,000	840,000	790,000	745,000
Interest and fiscal charges	312,962	364,783	412,932	458,233
AEA flowthrough	1,314,054	1,401,552	1,380,489	1,451,182
Total expenditures	<u>\$ 33,606,558</u>	<u>\$ 35,492,167</u>	<u>\$ 38,161,900</u>	<u>\$ 38,199,812</u>

See accompanying independent auditor's report.

FORT DODGE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2004

Grantor / Program	CFDA Number	Grant Number	Expenditures
Direct:			
U. S. Department of Education:			
Twenty-First Century Community Learning Centers	84.287	FY 04	\$ <u>112,757</u>
Fund for the Improvement of Education	84.215	FY 04	<u>262,402</u> <u>375,159</u>
Indirect:			
U. S. Department of Agriculture:			
Iowa Department of Education:			
Food Donation (non-cash)	10.550	FY 04	<u>76,225</u>
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 04	138,178
National School Lunch Program	10.555	FY 04	<u>582,330</u> <u>720,508</u> <u>796,733</u>
U. S. Department of Education:			
Iowa Department of Education:			
Title 1 Grants to Local Educational Agencies	84.010	2313-G-03	61,803
Title 1 Grants to Local Educational Agencies	84.010	2313-GC-04	171,033
Title 1 Grants to Local Educational Agencies	84.010	2313-G-04	<u>671,338</u> <u>904,174</u>
Innovative Education Program Strategies	84.298	FY 04	<u>36,529</u>
Vocational Education - Basic Grants to States	84.048	FY 04	<u>57,442</u>
Improving Teacher Quality State Grants	84.367	FY 03	131,450
Improving Teacher Quality State Grants	84.367	FY 04	<u>206,092</u> <u>337,542</u>
Safe and Drug-Free Schools and Communities			
- State Grants	84.186	FY 03	10,106
Safe and Drug-Free Schools and Communities			
- State Grants	84.186	FY 04	<u>28,779</u> <u>38,885</u>
Special Education State Improvement Grants for			
Children with Disabilities	84.323	FY 03	12,730
Special Education State Improvement Grants for			
Children with Disabilities	84.323	FY 04	<u>564</u> <u>13,294</u>

FORT DODGE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2004

Grantor / Program	CFDA Number	Grant Number	Expenditures
Indirect (continued):			
U. S. Department of Education (continued):			
Iowa Department of Education (continued):			
Grants for State Assessments and Related Activities	84.369	FY 03	\$ 5,142
Grants for State Assessments and Related Activities	84.369	FY 04	2,859
			<u>8,001</u>
Iowa Central Community College:			
Special Education - Grants to States	84.027	FY 04	<u>202,083</u>
Iowa Public Television:			
Fund for the Improvement of Education	84.215	FY 04	3,388
			<u>1,601,338</u>
U. S. Department of Human Services:			
Webster County Department of Human Services:			
Medical Assistance Program	93.778	FY 04	<u>8,405</u>
Total			<u>\$ 2,781,635</u>

Basis of Presentation –

The Schedule of Expenditures of Federal Awards includes the federal grant activity of Fort Dodge Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Board of Education of
Fort Dodge Community School District:

We have audited the financial statements of Fort Dodge Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated November 11, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Fort Dodge Community School District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about Fort Dodge Community School District's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved except for items IV-B-04 and IV-K-04.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Fort Dodge Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items II-A-04 and II-B-04 are material weaknesses. Prior year reportable conditions have been resolved except for items II-A-04, II-B-04, II-C-04, II-D-04, and II-E-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Fort Dodge Community School District and other parties to whom Fort Dodge Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Fort Dodge Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa
November 11, 2004

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE

To the Board of Education of
Fort Dodge Community School District:

Compliance

We have audited the compliance of Fort Dodge Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2004. Fort Dodge Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Fort Dodge Community School District's management. Our responsibility is to express an opinion on Fort Dodge Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U. S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Fort Dodge Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Fort Dodge Community School District's compliance with those requirements.

In our opinion, Fort Dodge Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of Fort Dodge Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Fort Dodge Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Fort Dodge Community School District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in Part III of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item III-A-04 is a material weakness.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Fort Dodge Community School District and other parties to whom Fort Dodge Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Oskaloosa, Iowa
November 11, 2004

FORT DODGE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2004

Part I: Summary of the Independent Auditor's Results:

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) Reportable conditions in internal control over major programs were disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.010 – Title I Grants to Local Educational Agencies
 - CFDA Number 84.367 – Improving Teacher Quality State Grants
 - Clustered programs:
 - CFDA Number 10.553 – School Breakfast Program
 - CFDA Number 10.555 – National School Lunch Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Fort Dodge Community School District did not qualify as a low-risk auditee.

FORT DODGE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2004

Part II: Findings Related to the General Purpose Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Reportable Conditions:

- II-A-04 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The posting of cash disbursements to the cash disbursements journal, preparation of checks, signing of checks, and mailing checks were all done by the same person.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – Our lack of staff makes complete segregation of duties difficult. We will analyze the situation and make any changes possible including transferring the mailing of checks to an individual not involved in the preparation and signing for that fund.

Conclusion – Response acknowledged. The District could segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

- II-B-04 Bank Reconciliations We noted that General Fund bank reconciliations were being completed up to five months behind the applicable month and that all other funds were being reconciled up to six months behind the applicable month. We also noted an unsupported adjustment on the June 30, 2004 bank reconciliation of \$25,653.

Recommendation – All bank reconciliations should be performed as soon as possible after receiving the bank statement. This allows the District to timely detect errors or omissions, avoid overextending the account, and more accurately monitor outflows and inflows. In addition, all adjustments on the bank reconciliation should be properly supported and the support should be reviewed by an independent reviewer.

Response – Staff time is limited and we have to prioritize our work as best we can. We have investigated the unsupported difference and provided this information to our auditors.

Conclusion – Response accepted. However, the timely completion of accurate bank reconciliations should be a high priority item to protect the assets of the District. We reviewed information provided by the District subsequent to completion of fieldwork for the audit but stand by the difference as noted as of the completion of the fieldwork.

- II-C-04 Untimely Receipt Posting – We noted that General Fund receipts were not being posted until several months after the transaction dates.

Recommendation – All receipts should be immediately posted to the correct account to prevent possible future mistakes in posting records and to protect the underlying asset.

FORT DODGE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2004

Part II: Findings Related to the General Purpose Financial Statements (continued):

Reportable Conditions (continued):

II-C-04 Untimely Receipt Posting (continued)

Response – We are aware of the problem and will search for alternatives to correct the situation.

Conclusion – Response accepted.

II-D-04 Financial Condition – The District’s Special Revenue, Student Activity Fund had several individual accounts with deficit balances as of June 30, 2004. In addition, the Internal Services, Flex Benefits Plan had a deficit net assets balance of \$160 at June 30, 2004.

Recommendation – The District should continue to monitor these situations and investigate alternatives to eliminate the deficits.

Response – We are working on this at this time and will review disbursement approval methods for the Student Activity accounts. The Flex Benefit plan deficit is due to timing differences and will be resolved.

Conclusion – Response accepted.

II-E-04 Disbursement Support – We noted one disbursement made that was supported only with a credit card statement.

Recommendation – All disbursements made by the District should require proper support such as an invoice or other documentation noting public purpose for the disbursement.

Response – We will require proper support prior to making any disbursements in the future.

Conclusion – Response accepted.

II-F-04 Untimely Transfer Posting – We noted one transfer from the Management Fund to the General Fund for an early retirement reimbursement that was not made physically between the accounts until July 12, 2004, but was posted to the general ledger on August 31, 2003.

Recommendation – All transfers and other transactions should be made and recorded properly and timely to facilitate the tracking of all items through the District’s general ledger and to protect District assets.

Response – We will timely make and record all such transactions in the future.

Conclusion – Response accepted.

II-G-04 Fundraiser Controls – We noted inadequate fundraiser controls over one tested fundraiser. We noted that \$650 of cash sales was withheld from receipts to buy prizes. There was no supporting approval or recording of prize expenditures. We also noted that the approval/summary sheet was turned in six months after the fundraiser was completed.

FORT DODGE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2004

Part II: Findings Related to the General Purpose Financial Statements (continued):

Reportable Conditions (continued):

II-G-04 Fundraiser Controls (continued)

Recommendation – The District should enforce more stringent fundraiser controls, including proper approvals, accounting for all associated receipts and disbursements, and timely completion of a profit/loss summary, including tying all sales to receipts and deposits, recording the purpose for all disbursements, and completing a profit analysis.

Response – We currently have requirements for approvals for all fundraisers. We will communicate the need for tighter controls to all applicable personnel.

Conclusion – Response accepted.

II-H-04 Unauthorized Check Signer – We noted that one former employee of the District was still listed as an authorized check signer at June 30, 2004.

Recommendation – The District should update all authorized signatures on a more timely basis in the future.

Response – We will update our approved signatures on a timely basis in the future. We will remove the former employee from the listing to correct the current situation.

Conclusion – Response accepted.

II-I-04 Improperly Voiding/Storing Checks – We noted in our testing of various reports that one was inadvertently ran on District checks. The mistake was corrected but the error left several District checks available for improper use because they were not voided, destroyed, or properly safeguarded for future use by the District.

Recommendation – All checks not intended for future use by the District should be properly voided. All usable checks should be properly stored in a secure area.

Response – This was an oversight by the District and we will take measures to prevent any recurrences in the future.

Conclusion – Response accepted.

FORT DODGE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2004

Part III: Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No matters were reported.

Reportable Conditions:

CFDA Number 10.553: School Breakfast Program and
CFDA Number 10.555: National School Lunch Program
Federal Award Year: 2004
U.S. Department of Agriculture
Passed through the Iowa Department of Education

CFDA Number 84.367: Improving Teacher Quality State Grants
Federal Award Year: 2004
U.S. Department of Education
Passed through the Iowa Department of Education

CFDA Number 84.010: Title I Grants to Local Educational Agencies
Agency Numbers: 9996 and 9997
Federal Award Year: 2004
U.S. Department of Education
Passed through the Iowa Department of Education

III-A-04 Segregation of Duties – One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the posting of cash disbursements to the cash disbursements journal, preparation of checks, signing of checks, and mailing of checks are all done by the same person.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – Our lack of staff makes complete segregation of duties difficult. We will analyze the situation and make any changes possible including transferring the mailing of checks to an individual not involved in the preparation and signing for that fund.

Conclusion – Response acknowledged. The District could segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

FORT DODGE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2004

Part IV: Other Findings Related to Statutory Reporting:

IV-A-04 Official Depositories – Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2004.

IV-B-04 Certified Budget – Disbursements for the year ended June 30, 2004, exceeded the amount budgeted in the non-instructional programs functional area.

Recommendation – The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – We will amend our budget before disbursements exceed the budget.

Conclusion – Response accepted.

IV-C-04 Questionable Expenditures – We noted certain expenditures that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979. These included service charges for non-sufficient funds in a bank account due to untimely transfers of the funds required to cover disbursements and one disbursement made to reimburse an employee for personal telephone calls.

Recommendation – All disbursements should be scrutinized more carefully in the future to ensure that all disbursements serve a public purpose.

Response – We have already received a refund of the bank service charges and have contacted the employee for the proper reimbursement to the District. We will be more careful in the future and watch for and screen out similar disbursements.

Conclusion – Response accepted.

IV-D-04 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-E-04 Business Transactions – No business transactions between the District and District officials or employees were noted.

IV-F-04 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-G-04 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

IV-H-04 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

IV-I-04 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.

FORT DODGE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2004

Part IV: Other Findings Related to Statutory Reporting (continued):

- IV-J-04 Certified Annual Report – The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- IV-K-04 National School Meal Programs – We noted during the course of our audit that the required verification procedure of free and reduced applications, which helps prevent any possibility of fraud in the school meal programs, was timely completed. However, during a required second round of verifications, we noted that only 13 of a required 21 applications were verified.

Recommendation – This procedure for verifying the accuracy of the underlying information on a sample of free and reduced meal applications is an important aspect of operating the student meal program and should be completed in an accurate manner in the future.

Response – This was the result of a mathematical error this year whereby an insufficient number of applications was verified. We will implement procedures to prevent such errors in the future.

Conclusion – Response accepted.

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